

**Joint Legislative Audit and Review Commission
of the Virginia General Assembly**



**Review of the
Charitable Gaming Commission**

**Staff Briefing
December 16, 2002**

Introduction

2

Staff for this study:

Kirk Jonas, Deputy Director

Gerald Craver

Tracey Smith

Presentation Outline

3

- ☒ **Study Overview and Summary of Findings**
- ☐ **Charitable Gaming Background**
- ☐ **Licensing and Assisting the Charitable Gaming Community**
- ☐ **Financial Oversight of the Charitable Gaming Community**
- ☐ **Enforcement of Charitable Gaming Law and Regulations**
- ☐ **Governance of the Charitable Gaming Commission**
- ☐ **Summary**

Study Mandate

4

- **JLARC approved a study of the Charitable Gaming Commission at its May 2002 meeting**
- **This review was made in response to study requests by:**
 - **The Governor's Chief of Staff**
 - **The Secretary of Administration**
 - **The Charitable Gaming Commission**

Charitable Gaming Commission Overview

5

- **The Charitable Gaming Commission (CGC) is a seven member supervisory board. The Commission appoints an Executive Secretary who directs a staff of 25 full-time employees**
- **The CGC receives no general funds. It is funded by fees levied on the regulated community**
- **The CGC generated \$3.2 million in revenues in FY 2002. The agency spent \$2.2 million, leaving it with a balance of approximately \$3 million at the end of FY 2002**

Charitable Gaming Commission Overview of Findings

6

- **The Charitable Gaming Commission is a relatively new agency. It was created in 1995 and became operational in 1996**
- **Overall, the CGC has achieved two of its primary goals:**
 - **The control of fraud in the charitable gaming industry**
 - **Increasing the percentage of gross gaming proceeds that are used for charitable purposes from three percent to 13 percent**
- **Problems, however, exist with the structure, management, and governance of the CGC**

Study Issue #1

7

Is the organization and management structure for the agency adequate to achieve its statutory objectives?

- **No, organization and management of CGC are problematic. The CGC's supervisory board is largely ineffective**
- **Improvements are needed in agency consistency and uniformity**
- **Field staff are frequently part-time employees working from their homes**
- **Roles of some staff are duplicative**
- **The CGC records management practices are poor**
- **The lack of training provided to the charitable gaming community results in unintentional violations of the Code**

Study Issue #2

8

Does the Charitable Gaming Commission have the authority and the structure necessary to adequately oversee agency management and operations?

- **Yes, the Commission has adequate authority, but its structure impairs its ability to exercise this authority**
- **Members serve on a part-time basis, are scattered across the State, and only meet six times a year**
- **Members lack sufficient knowledge of charitable gaming**
- **Members rely heavily on agency staff and the Executive Secretary to provide them with basic information on the status of charitable gaming in the Commonwealth**

Study Issue #3

9

Does the agency have sufficient resources to implement its statutory mission?

- **No, the agency does not have access to sufficient resources**
- **The CGC is restricted from using the funds in its balance of \$3 million due to current budget constraints**
- **Recent budget cutbacks have resulted in reducing the agency's FY 2003 and FY 2004 budgets by 22 percent each. Consequently, the agency has eliminated its training efforts, reduced staff hours, and eliminated personnel**

Study Issue #4

10

Does the agency have adequate staffing to implement its statutory mission?

- **No, the agency does not have adequate staffing**
- **Recent budget reductions have resulted in the elimination of four full-time positions and two full-time personnel. The agency has also deferred hiring additional employees for vacant positions**
- **The CGC has only two full-time and two part-time field auditors to analyze the financial records of more than 600 organizations**
- **The CGC has only one part-time and two full-time field agents to conduct criminal investigations. There are 14 open criminal investigation cases**

Summary of Policy Options

11

- JLARC staff developed three policy options that the General Assembly may wish to consider regarding the structure and governance of the Charitable Gaming Commission
 - *Option(1).* Continue the present structure of the Charitable Gaming Commission, but make improvements to the management of the agency
 - *Option(2).* Modify the governance structure of the Charitable Gaming Commission to:
 - Change from a supervisory board to an advisory board
 - Make the Executive Secretary a gubernatorial appointee
 - Alter the board's composition to include industry representation
 - *Option(3).* Consolidate the Charitable Gaming Commission with the State Lottery Department

Research Activities

12

- **The principle research methods employed in the staff's review of the Charitable Gaming Commission included:**
 - **Structured interviews with:**
 - **Members of the Charitable Gaming Commission**
 - **Executive secretaries of the agency**
 - **Current agency employees**
 - **Personnel from the Auditor of Public Accounts, the Department of Planning and Budget, the Secretary of Administration, and the Office of the Attorney General**
 - **Document reviews**
 - **Case file reviews**
 - **Mail survey of all licensed charitable gaming organizations**
 - **Site visits to charitable gaming organizations**

Presentation Outline

13

- ☐ Study Overview and Summary of Findings
- ☒ Charitable Gaming Background
- ☐ Licensing and Assisting the Charitable Gaming Community
- ☐ Financial Oversight of the Charitable Gaming Community
- ☐ Enforcement of Charitable Gaming Law and Regulations
- ☐ Governance of the Charitable Gaming Commission
- ☐ Summary

Brief History of Charitable Gaming in Virginia

14

- Charitable gaming was legalized by the General Assembly in 1973. Localities were originally responsible for regulating charitable gaming activities
- The General Assembly refined the charitable gaming statutes in 1979 and established a two-day per week gaming limit, clarified the definition of total “gross receipts,” and placed restrictions on prize amounts
- The Charitable Gaming Commission was created in 1995 and local oversight ended on July 1, 1996

Scope of Charitable Gaming

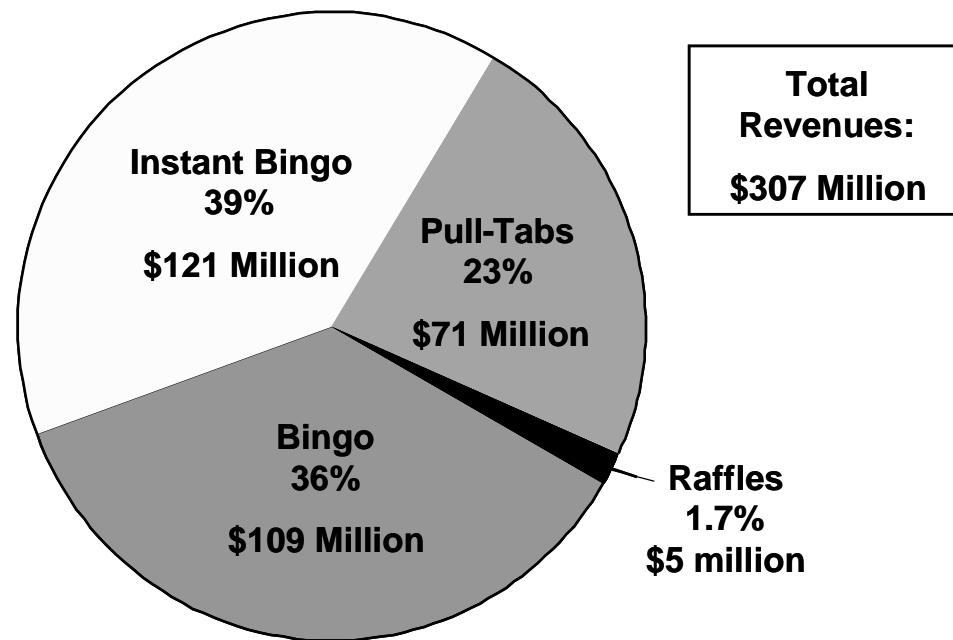
15

- **As of November 2002, there were 611 organizations authorized by the Charitable Gaming Commission to conduct charitable gaming in Virginia**
- **During 2001, these organizations generated approximately \$307 million in gross gaming receipts and donated almost \$41 million to charitable activities**

Gross Revenues by Game Type

(FFY 2001)

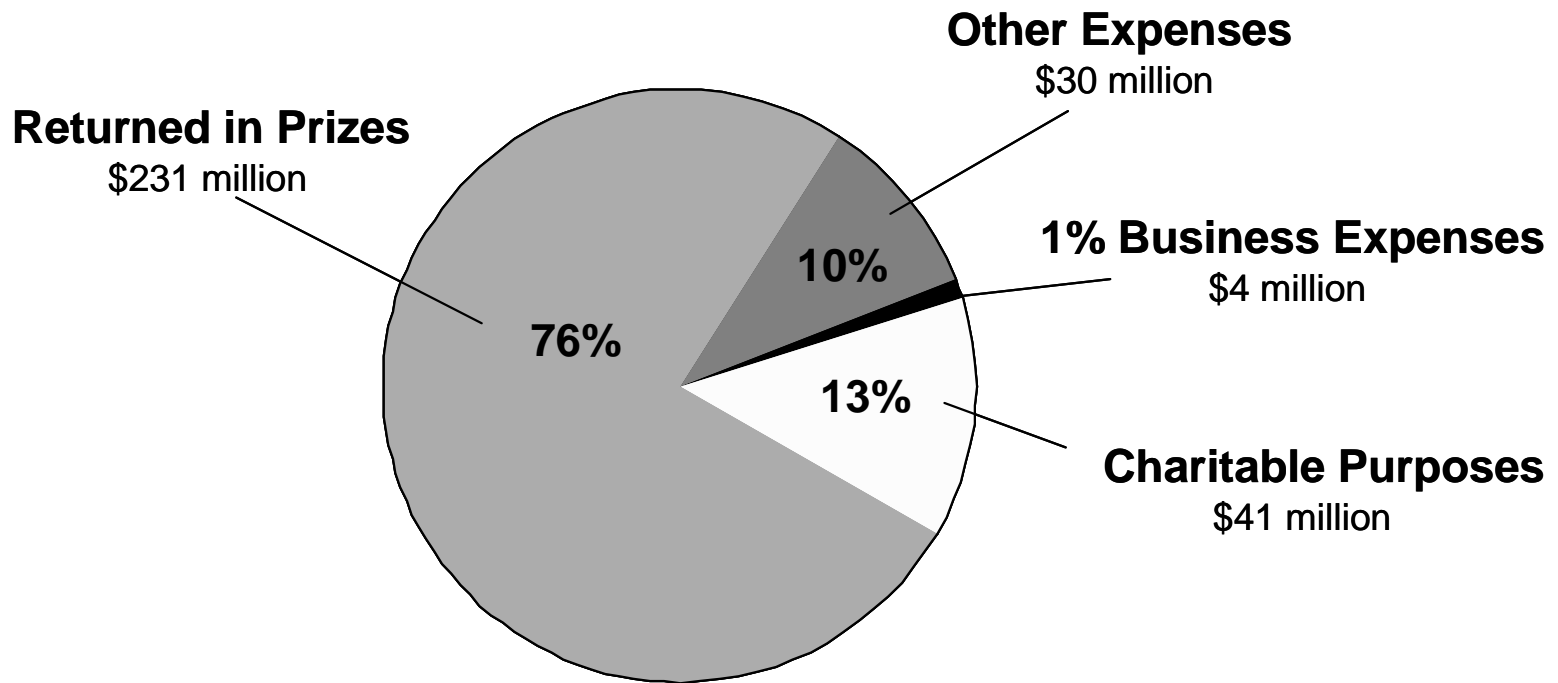
16



Uses of Charitable Gaming Revenue

(FFY 2001)

17



Bingo

18

- “Bingo” is defined as: “...a specific game of chance played with (i) individual cards having randomly numbered squares ranging from one to seventy-five, (ii) Commission-approved electronic devices which display facsimiles of bingo cards...(iii) Commission approved cards...[that]...have five columns headed...by the letters B.I.N.G.O.”
- The Bingo jackpot limit has been \$1,000 since 1979
- Approximately \$109 million in gross revenue was generated through bingo during FFY 2001



Bingo Game in Progress

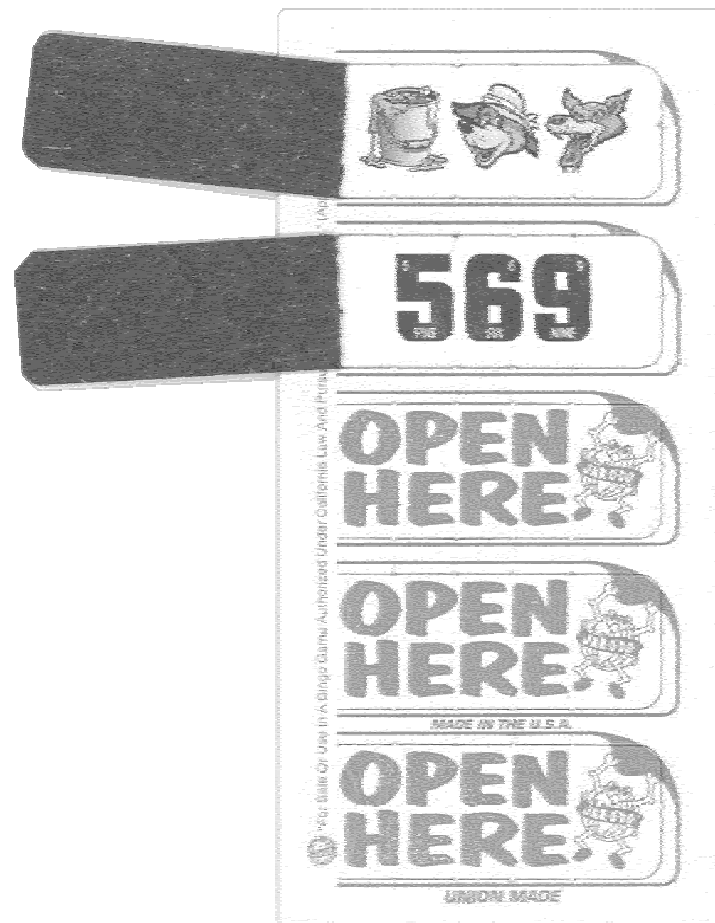
19



Instant Bingo

20

- “Instant bingo,” “pull-tabs,” or “seal cards” are defined as “...individually prepackaged cards made completely of paper or paper products, with winners being determined by the appearance of preprinted concealed letters, numbers or symbols that must be exposed by the player to determine wins and losses...that have been designated in advance as prize winners.”
- The instant bingo jackpot limit has been \$500 since 1992
- Approximately \$192 million in gross revenue was generated through instant bingo and pull-tabs during FFY 2001



Instant Bingo

(continued)

21



Raffles

22

- “Raffles” are defined as: “...a lottery in which the prize is won by (i) a random drawing of the name or prearranged number of one or more persons purchasing chances or (ii) a random contest in which the winning name or pre-assigned number of one or more persons purchasing chances is determined by a race involving inanimate objects floating on a body of water, commonly referred to as a ‘duck race.’”
- The raffle prize limit is \$100,000
- Approximately \$5 million in gross revenue was generated through raffles during FFY 2001



Charitable Gaming Community

23

- Organizations conduct charitable gaming as a fundraising mechanism. Organizations are regulated by the CGC
- Suppliers sell or lease gaming supplies to organizations. Suppliers are regulated by the CGC
- Landlords rent premises to organizations that do not already have access to gaming facilities. Landlords are not regulated by the CGC

Commercial Bingo Hall

24



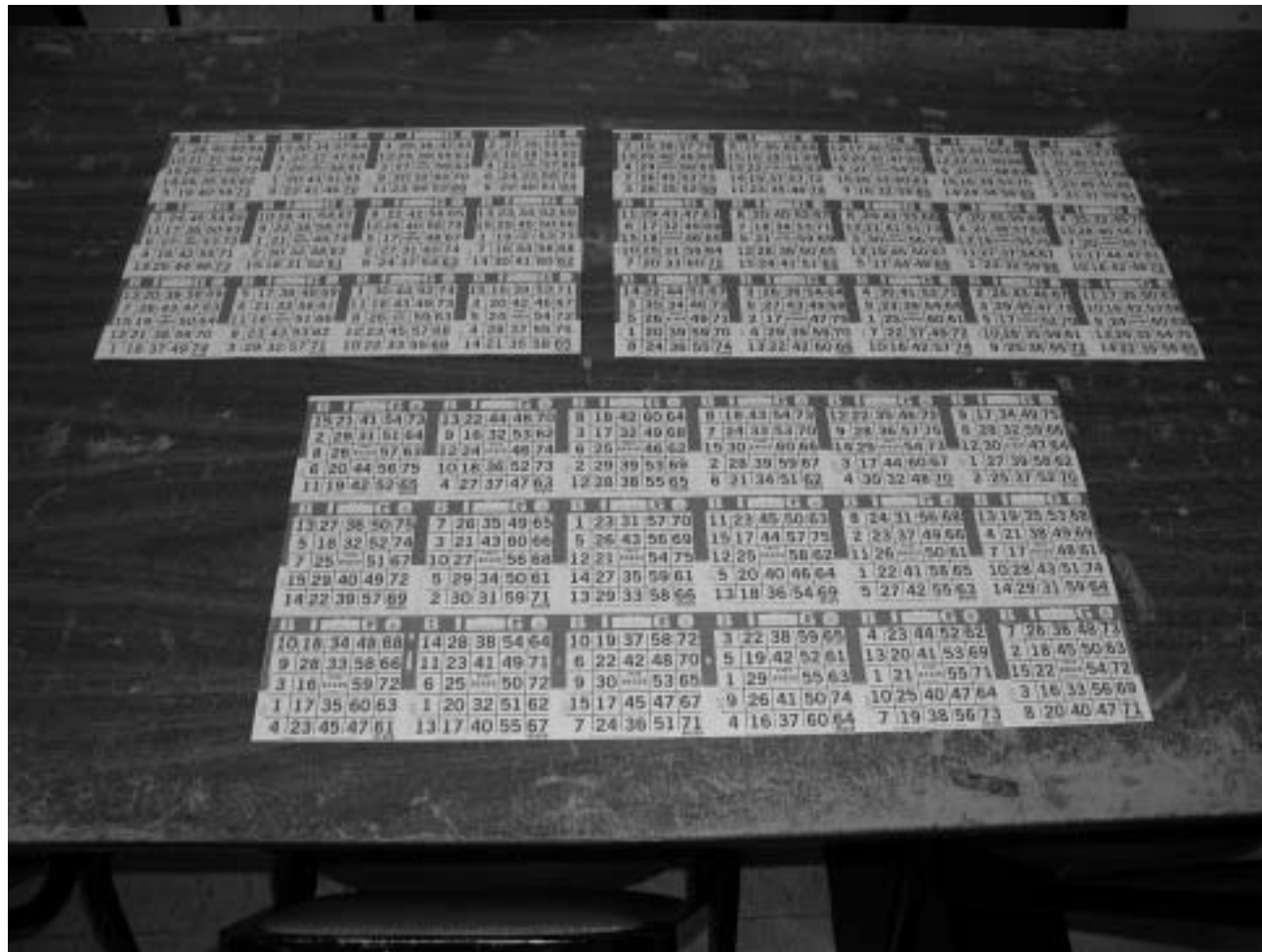
Many Charitable Organizations Use Their Own Facilities

25



Charitable Gaming Supplies

26



“Use of Proceeds”

27

- **Gaming organizations must use a “predetermined percentage” of their gross gaming revenue to support the charitable activities for which they were chartered or organized**
- **However, some gaming organizations *themselves* may be the charitable activities for which the proceeds are used, and mortgage payments made by organizations that purchased their own facilities may be counted as charitable giving**
- **JLARC staff surveyed 637 organizations permitted to conduct charitable gaming in Virginia. Three-hundred fifty three (353) organizations responded**
- **About 67 percent of the respondents to JLARC’s survey indicated that their organizations are better able to raise funds for charity as a result of the CGC’s oversight**

Use of Proceeds

(continued)

28

- **Expenditures for charitable purposes are referred to as “Use of Proceeds” (UOP) expenditures**
- **The UOP expenditures for gaming organizations are:**
 - **five percent if they annually gross less than \$150,000 in gaming receipts,**
 - **10 percent if they annually gross between \$150,000 and \$500,000 in gaming receipts, and**
 - **12 percent if they annually gross over \$500,000 in gaming receipts**

Use of Proceeds

(continued)

29

- The 2000 General Assembly amended the charitable gaming statutes so that the CGC cannot deny, suspend, or revoke permits of gaming organizations that fail to meet the UOP requirement if they conducted gaming activities in *rented* facilities prior to January 1, 2000
- The 2001 and 2002 sessions of the General Assembly extended the moratorium on the UOP requirement for renting organizations

Presentation Outline

30

- ☐ Study Overview and Summary of Findings
- ☐ Charitable Gaming Background
- ☒ Licensing and Assisting the Charitable Gaming Community
- ☐ Financial Oversight of the Charitable Gaming Community
- ☐ Enforcement of Charitable Gaming Law and Regulations
- ☐ Governance of the Charitable Gaming Commission
- ☐ Summary

CGC Performance: Licensing and Training

31

Function	Findings	Summary
Licensing	<ul style="list-style-type: none"> • Renewal application requests more information than CGC regulations suggest and is unnecessarily lengthy • The CGC requires annual permit renewal when the statute permits biennial renewals 	✓ -
Training	<ul style="list-style-type: none"> • There is no consistent and systematic approach to offering individual training to organizations • Training for new organizations was only begun in 2002 	X
Key: ✓ = Adequate ✓ - = Needs Improvement X = Inadequate		

CGC Performance: Licensing Records

32

Function	Findings	Summary
Licensing Records	<ul style="list-style-type: none"> • The CGC does not have a records management policy as required by the <i>Code of Virginia</i> • The CGC does not maintain accurate data on the current status of a permit application. The status of 296 permits from 2000 to 2002 is currently unknown • The CGC does not maintain accurate data on the date a completed application is received from an organization 	X
Key: ✓ = Adequate ✓- = Needs Improvement X = Inadequate		

Licensing and Assisting the Charitable Gaming Community

33

- The Commission requires annual permit renewal when the Code permits biennial renewals. Biennial renewals would lessen staff workload and substantially reduce paperwork for charitable organizations
- The Commission's application for obtaining a renewal permit requests more information than necessary. Ninety-eight percent of all applications are renewal applications
- Records maintained on licensing charitable organizations are not accurate
- Ninety-seven (97) percent of survey respondents indicate a satisfactory working relationship with the Commission

Permit Application Outcomes

34

Year	Received	Issued	Denied	Withdrawn	Unknown
2000	784	614	3	7	160
2001	712	653	1	3	56
2002	484	400	0	4	80
Total	1,980	1,667	4	14	296

Note: Permits issued in the latter part of 2001 may have still been active at the time of this analysis. 320 applications were excluded from this analysis because of missing dates.

Licensing Recommendations

35

- **The Charitable Gaming Commission should develop a consistently implemented policy to maintain current and accurate records on its licensing process**
- **The Charitable Gaming Commission should simplify its renewal process, principally by shortening its renewal application. Permit applications should clarify that additional copies of an organization's IRS determination letter and their organizing documents are not required unless amendments have been made to these documents. In addition, the Commission should require biennial instead of annual permit renewals**

Training Charitable Gaming Organizations

36

- Because the *Code of Virginia* prohibits compensation of individuals involved in the management or conduct of charitable gaming activities, games are run by volunteers and experience frequent turnover. Volunteers may be as young as 11 years old
- One CGC staff member stated that members of the charitable gaming community often acknowledge that they “just didn’t know” that they were being noncompliant
- Lack of understanding about the *Code* and Commission regulations among volunteers who operate charitable games contributes to errors that generate additional regulatory action by Commission staff

Volunteers Staff Charitable Games

37



Training Charitable Gaming Organizations (continued)

38

- **Training offered to charitable organizations on compliance with the *Code of Virginia* and Commission regulations is not sufficient**
 - **Regional training sessions for organizations were not begun until 2000**
 - **Eight regional training sessions were held in 2000**
 - **Two training sessions were held in 2001**
 - **No training sessions have been held in 2002**
 - **In 2002, the Commission began providing individual-level training newly permitted organizations. Twenty-seven organizations have received such training**

Restoration of CGC Training Needed

39

- **Ninety-seven percent of survey respondents indicated that regional trainings were “useful” or “somewhat useful”**
- **Increased training opportunities would allow the Commission to more effectively focus its regulatory efforts on problems arising out of deliberate violations of the *Code* and regulations**
- ***Recommendation.* The Charitable Gaming Commission should allocate sufficient resources for the purpose of providing regular training opportunities to charitable gaming organizations in each region of the State**

Presentation Outline

40

- ☐ Study Overview and Summary of Findings
- ☐ Charitable Gaming Background
- ☐ Licensing and Assisting the Charitable Gaming Community
- ☒ Financial Oversight of the Charitable Gaming Community
- ☐ Enforcement of Charitable Gaming Law and Regulations
- ☐ Governance of the Charitable Gaming Commission
- ☐ Summary

CGC Performance: Financial Oversight

41

Function	Findings	Summary
Audit	<ul style="list-style-type: none"> • No audits conducted in the first two years of operation • Reviews of financial reports and fees sent in by organizations only began in 2000 • The CGC's approach to audit has been inconsistent and inefficient • Audit staff time is inefficiently used • The CGC has only been able to conduct a fraction of the audits needed 	X
Key: ✓ = Adequate ✓- = Needs Improvement X = Inadequate		

Financial Oversight of the Charitable Gaming Community

42

- The *Code of Virginia* requires that organizations' annual financial reports be audited by the Commission
- The Charitable Gaming Commission conducts field audits of charitable organizations as well as “desk audits” of their financial reports
- CGC field auditors are both full and part-time and work from their homes. Auditors hold records for substantial periods of time
- In 2002, only 70 organizations were audited

Organizations Newly Identified for Financial Audits in 2002

43

Audit Reason	Number Identified	Number Audited	Total Outstanding Audit Needs
Excessive Prize Payouts	76	0	76
Excessive Player Discounts	25	5	20
Insufficient Charitable Giving	141	21	120
Never Audited by the CGC	390	0	390
Total	632	26	606
<p>Note: CGC staff have indicated that there is some overlap among these categories, but were unable to estimate the extent of this overlap. Therefore, the actual number of organizations identified as needing an audit in this table is greater than the number of organizations currently holding a charitable gaming permit.</p>			

Financial Oversight

(continued)

44

- **Having auditors work from their homes limits the amount of training available to them, reduces their productivity, and results in lack of supervision**
- **The CGC has not consistently monitored the submission of annual reports or fees submitted from charitable organizations**
- **The CGC did not record the findings of audits conducted from 1998 to 2000. From 2000 to 2002, the majority of audits conducted by the CGC found problems with the financial management of audited organizations**
- **Out of 75 audits conducted between October 2001 and September 2002, 54 organizations were found to be underreporting revenues by an average of \$116, 141, or a total of \$6.3 million. Underreporting represents an opportunity for fraud and the potential loss of substantial revenues for charitable purposes**

Audit Recommendations

45

- All auditors should be hired on a full-time basis and be housed within the central office, making field visits when necessary
- Audit staff should plan and execute their work in a way that decreases the length of time records are held for audit
- The General Assembly may wish to consider reallocating to the CGC the two vacant auditor positions that have been eliminated by the recent budget reductions

Presentation Outline

46

- ☐ Study Overview and Summary of Findings
- ☐ Charitable Gaming Background
- ☐ Licensing and Assisting the Charitable Gaming Community
- ☐ Financial Oversight of the Charitable Gaming Community
- ☒ Enforcement of Charitable Gaming Law and Regulations
- ☐ Governance of the Charitable Gaming Commission
- ☐ Summary

CGC Performance: Enforcement of Charitable Gaming Law

47

Function	Findings	Summary
Enforcement	<ul style="list-style-type: none">• The CGC has achieved a conviction rate of 90 percent in criminal cases brought to trial	✓
Key: ✓ = Adequate ✓- = Needs Improvement X = Inadequate		

CGC Performance: Enforcement Records

48

Function	Findings	Summary
Enforcement Records	<ul style="list-style-type: none"> • Criminal investigation data are not automated • Criminal investigation files are not maintained in the Central Office, but in the homes of field agents • Field staff do not have ready access to updated CGC data • Electronic data maintained on incident reports are incomplete prior to 2001 and data on the resolution of these reports are not maintained in one database 	X
Key: ✓ = Adequate ✓- = Needs Improvement X = Inadequate		

Enforcement of Charitable Gaming Law and Regulations

49

- The *Code of Virginia* § 18.2-340.18.1 states that the CGC may grant law enforcement power to its employees
- CGC monitors the gaming activities of organizations through game inspections and investigations into alleged criminal activity
- CGC enforcement division processes all public complaints or concerns regarding organization compliance with the law and regulations

Charitable Gaming Inspections

50

- **Inspectors are part-time employees working from their homes in the four regions of the State. Each region has one inspector**
- **Inspectors observe the charitable gaming activities of organizations and evaluate compliance with statutes and regulations**
- **The CGC's goal is to inspect every organization at least annually**
- **However, in 2002, only 236 of 611 eligible organizations were inspected**

Audit and Inspection Coordination Needed

51

- Inspectors and auditors perform similar functions
- Conducting CGC audits does not require professional audit experience
- Further coordination of audit and inspection functions would provide more resources for financial oversight of charitable gaming
- *Recommendation.* Inspectors should be trained in the conduct of charitable gaming audits and incorporate audit tasks into their inspection responsibilities. Additionally, inspectors should obtain appropriate financial records from those organizations targeted for field audit and deliver these records to the auditor in the central office

Enforcement: Criminal Investigations

52

- Charitable gaming is a cash intensive industry. Financial crimes such as embezzlement are not uncommon
- CGC special agents have law enforcement authority
- Special agents are located in the four regions of the State and work from their homes
- Each region is allocated a full-time special agent and two regions, Tidewater and Southwest, are allocated a part-time agent each

Criminal Investigations

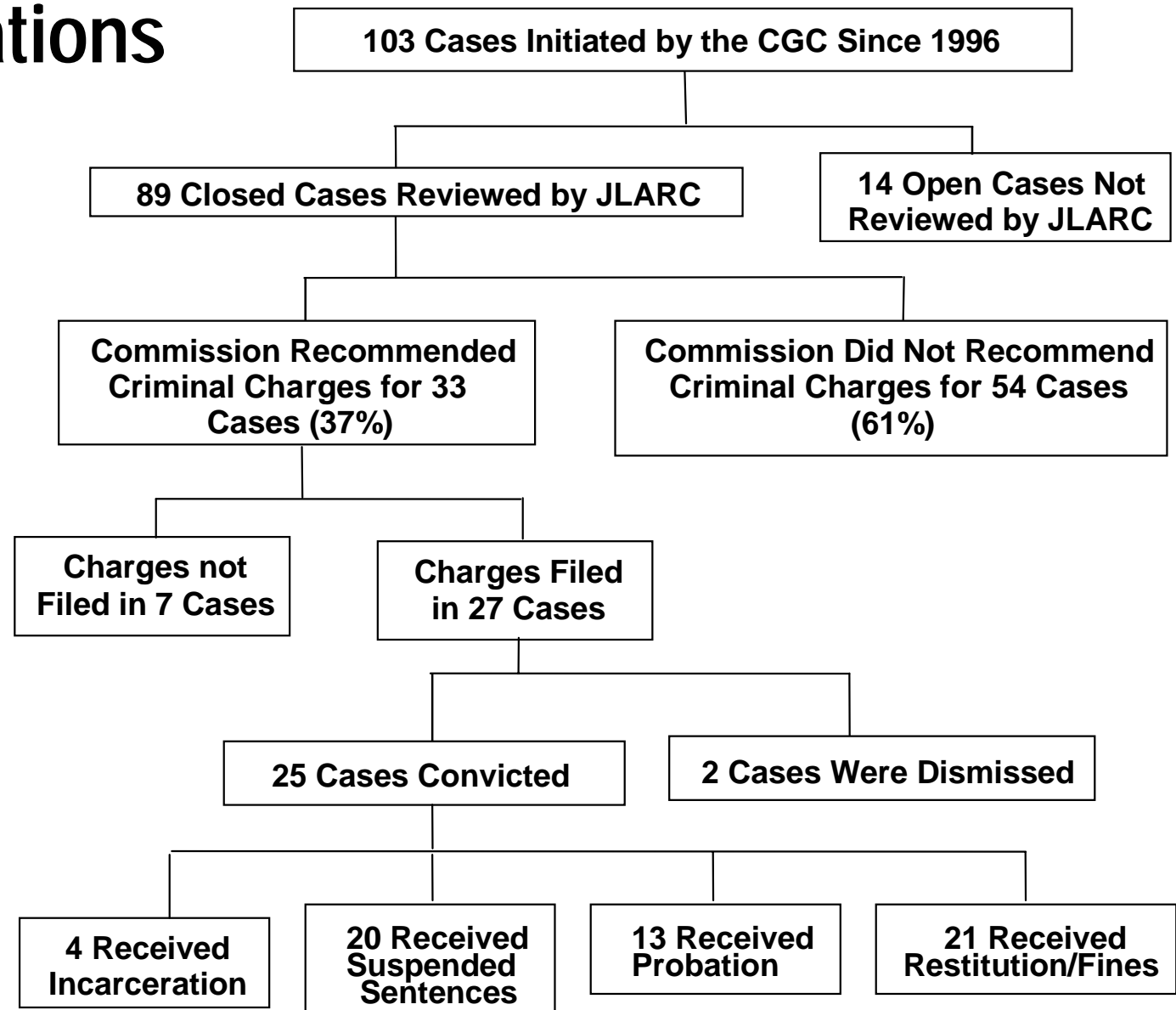
(continued)

53

- **JLARC staff reviewed 89 criminal investigation case files maintained by the CGC. There are 14 open cases that staff did not review**
- **Since 1996, 25 out of 33 cases in which criminal charges were filed received a conviction**
- **Fifty-four (54) cases were closed due to lack of evidence, reconciliation within the respective organization, or declination by the local Commonwealth's Attorney**
- **CGC enforcement activities represent a credible deterrent to gaming abuses**

Results of Criminal Investigations

54



Case Study #1: Reconciled Within the Organization

55

An organization expressed concern that instant bingo sales came up short by \$1,088. An investigation found that game organizers lacked procedures to reconcile the amount of instant bingo tickets issued and the money received from them. The case was closed due to lack of investigative leads and the CGC recommended that the organization implement adequate cash control procedures.

Case Study #2: Case Results in Conviction

56

A memorial foundation was established and was to be funded through the sale of raffle tickets. The raffle sold \$17,800 in raffle tickets, but was cancelled because it was not deemed profitable. Rather than refunding the money from the tickets sold, the individual organizing the raffle spent the the majority of the profit on personal needs, embezzling up to \$17,000. The raffle organizer received multiple suspended sentences, ten years of probation, was ordered to pay restitution, and was directed to not have any further supervisory roles in charitable gaming activities.

Case Study #3: Case Results in Conviction

57

A complaint was received from a concerned citizen about possible embezzlement at a game. An interview was conducted with the president of the organization, who stated that the acting game manager had confessed to stealing the profits from one box of instant bingo tickets. An analysis of the organization's records confirmed this. The game manager eventually confessed to embezzling \$8,357 in profits. A conviction was obtained for one count of embezzlement and the game manager received an eight-year sentence, with all but six months suspended.

Criminal Investigations

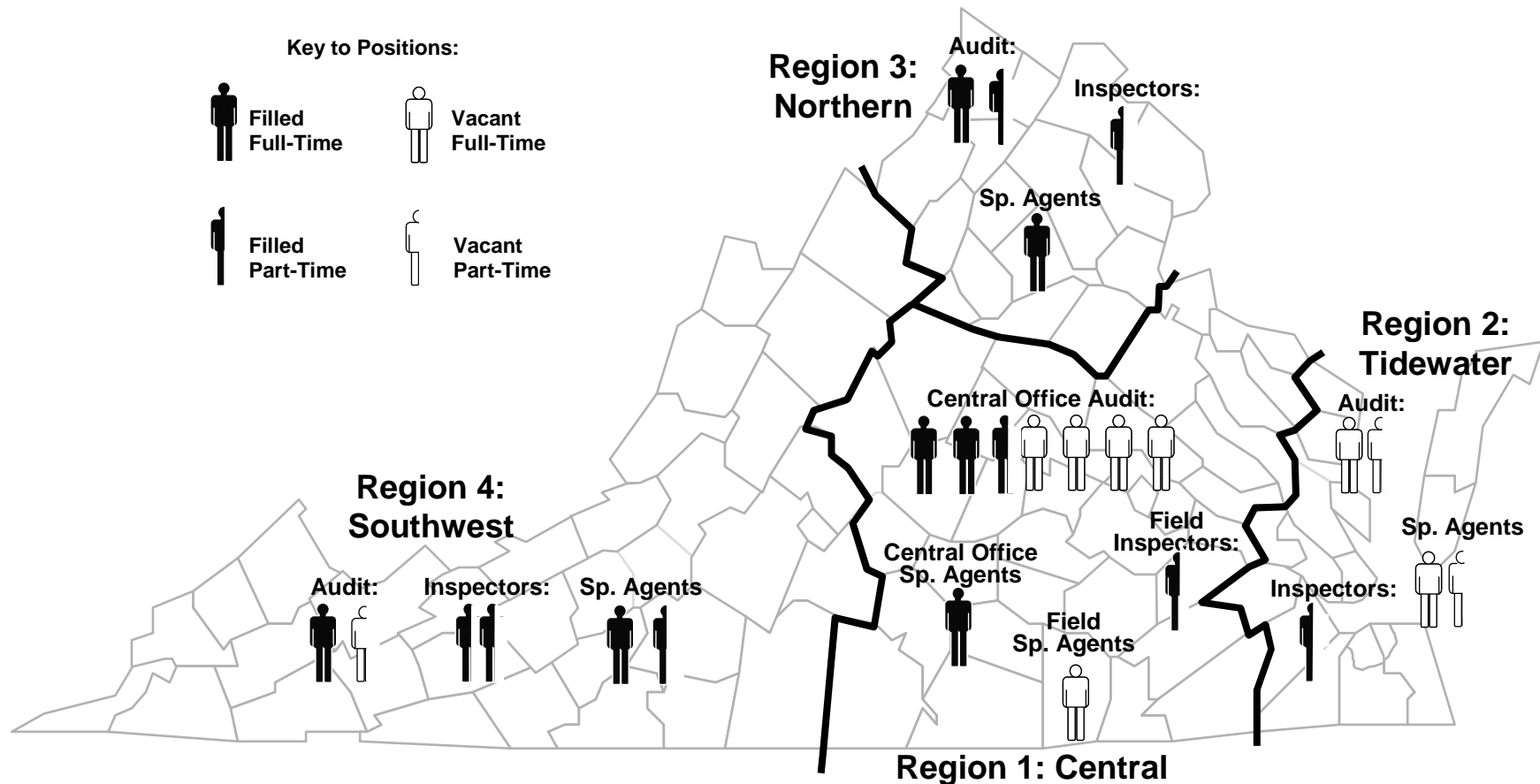
(continued)

58

- **Data on criminal investigations are not automated and case files are maintained at the homes of special agents**
- **Sentencing outcomes for criminal convictions are not systematically maintained by the CGC**
- **The CGC lost one part-time and two full-time special agents as a result of the recent budget reductions. The enforcement division now has only three field agents responsible for criminal investigations. Cuts result in a transfer of fees from charitable organizations to the general fund. Appropriation reductions produce no general fund savings**

Charitable Gaming Commission Staff by Licensing and Audit Region

59



Note: The 25 headcount positions on this figure do not include central office licensing and administration staff. Full-time audit and special agent staff positions filled in the central office are not traditionally responsible for field audits and criminal investigations.

Recommendations for CGC Criminal Investigations

60

- **The Charitable Gaming Commission should maintain original copies of all case material at the central office**
- **The Charitable Gaming Commission should systematically record the sentencing outcomes of all cases that receive convictions**
- **The criminal investigation efforts of the enforcement division should operate as they currently do. However, the General Assembly may wish to reconsider the recent reduction the agency's special agent staff by two full-time positions**

Presentation Outline

61

- ☐ Study Overview and Summary of Findings
- ☐ Charitable Gaming Background
- ☐ Licensing and Assisting the Charitable Gaming Community
- ☐ Financial Oversight of the Charitable Gaming Community
- ☐ Enforcement of Charitable Gaming Law and Regulations
- ☒ Governance of the Charitable Gaming Commission
- ☐ Summary

Charitable Gaming Commission

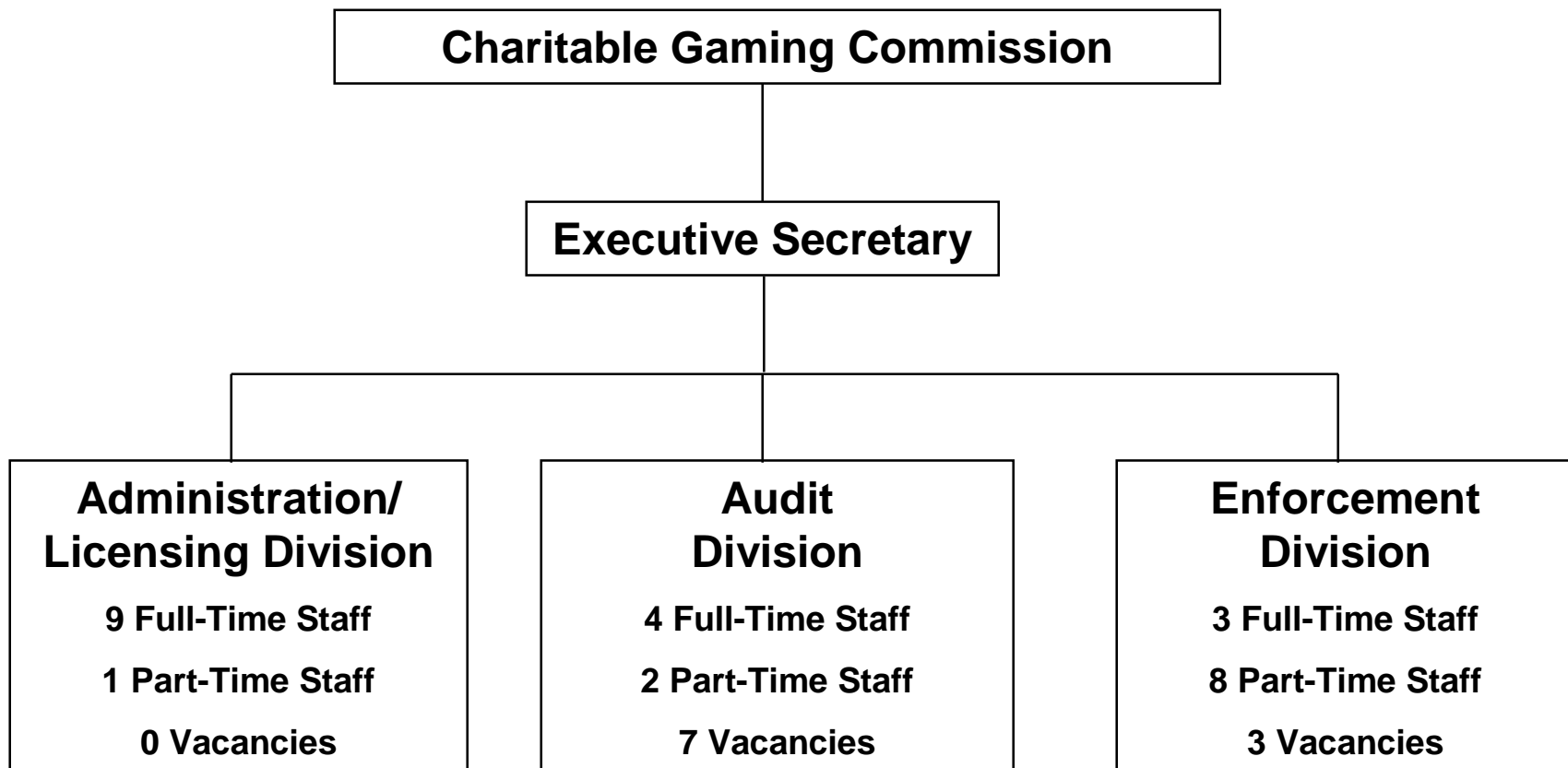
62

- **The Commission consists of seven part-time citizen volunteers who reside in different regions of the State. Commission members are appointed by the Governor to serve four-year terms on the Commission. Members are not required to have charitable gaming expertise**
- **The General Assembly established the Commission as a supervisory board. Commission members are responsible for appointing the Executive Secretary and for approving appropriation requests and the charitable gaming regulations**

Charitable Gaming Commission

(continued)

63



Charitable Gaming Commission

(continued)

64

- **Commission members do not appear to understand their role and independence as a supervisory board**
 - **One former commission chairman told JLARC staff that he had been informed by a former Executive Secretary that he (the Executive Secretary) had been removed from office by the Secretary of Administration. The chairman did not understand that it is the prerogative of the Commission to appoint and remove executive secretaries**
 - **Commission members also told JLARC staff that their oversight of the agency is limited because they serve on a part-time basis and must rely upon the staff to keep them informed about important issues**

Funding of the Charitable Gaming Commission

65

- The Charitable Gaming Commission is a nongeneral fund agency that is supported *entirely* by fees submitted by charitable gaming organizations
- These fees are defined in the charitable gaming statutes and primarily consist of an annual permit fee and an audit and administration fee
- Commission fees generated approximately \$3.2 million in revenues during FY 2002
- Of this, the Commission spent \$2.2 million, raising its fund balance to \$3 million

Cuts to CGC Budget Result in Transfer to General Fund

66

- **As a result of the State's current fiscal situation, the CGC's FY 2003 budget was reduced by seven percent and its FY 2004 budget was reduced by eight percent in early 2002**
- **This resulted in the transfer of \$187,963 to the general fund for FY 2003**
- **The State will transfer \$216,730 of the CGC's appropriations to the general fund during FY 2004**
- **Additional transfers are likely if proposed cuts are adopted in the 2002-2004 Appropriations Act**

Impact of the State's Current Fiscal Situation on the CGC

67

- The Charitable Gaming Commission's FY 2003 budget is scheduled to be reduced by 15 percent and its FY 2004 budget is scheduled to be reduced by 14.4 percent as part of the revisions to the 2002-2004 Appropriations Act. This has prompted the agency to:
 - defer hiring additional P-14 employees above its current staffing level,
 - defer hiring two auditors (positions were not filled),
 - eliminate two vacant auditor positions,
 - lay off one classified special agent in Region 1,
 - lay off one classified special agent in Region 2,
 - lay off one P-14 special agent in Region 2,
 - reduce hours worked by a P-14 special agent in Region 4, and
 - reduce its discretionary spending by five percent for FY 2004

Three Policy Options

68

- **To address the conditions observed during the study, JLARC staff developed three policy options that the General Assembly may wish to consider:**

#1: Continue the present structure of the the Charitable Gaming Commission, but make some improvements to the management of the agency

#2: Modify the Charitable Gaming Commission governance structure by designating it as an advisory board, with the appointment of the Executive Secretary made by the Governor

#3: Consolidate the Charitable Gaming Commission with the State Lottery Department

Benefits and Challenges of Policy Option 1

69

Option 1	Benefits	Challenges
Continue the present structure of the Charitable Gaming Commission, but make improvements to the management of the agency	Non-disruptive to the current system	Management, operational, and structural deficiencies identified in this report may not be fully addressed

Benefits and Challenges of Policy Option 2

70

Option 2	Benefits	Challenges
<p>Modify the Charitable Gaming Commission governance structure by designating it as an advisory board, with the appointment of the Executive Secretary made by the Governor</p>	<p>Changing the Commission to an advisory board would more accurately reflect its capabilities</p> <p>Making the Executive Secretary a gubernatorial appointee clarifies and improves accountability</p> <p>Altering the composition of the Commission to include charitable gaming participants would make it less dependent on staff</p>	<p>Changes structure of current system</p> <p>Industry representation on Commission may influence decisions in favor of gaming organizations</p>

Benefits and Challenges of Policy Option 3

71

Option 3	Benefits	Challenges
<p>Consolidate the Charitable Gaming Commission with the State Lottery Department</p>	<p>Merging CGC with the State Lottery could improve professionalism of regional staff</p> <p>The CGC as an agency could benefit from the expertise that the State Lottery has in areas such as audit, technology, and other areas of administration</p> <p>The merger could potentially produce cost savings by combining two agencies</p>	<p>State Lottery and CGC have different purposes and organizational cultures</p> <p>Charitable gaming is used to benefit charities, while the State Lottery operates a lottery that generates revenue for the State</p> <p>The State Lottery tolerates little deviation from its rules, while the CGC tolerates minor violations</p>

Presentation Outline

72

- ☐ Study Overview and Summary of Findings
- ☐ Charitable Gaming Background and Agency Overview
- ☐ Licensing and Assisting the Charitable Gaming Community
- ☐ Financial Oversight of the Charitable Gaming Community
- ☐ Enforcement of Charitable Gaming Law and Regulations
- ☐ Governance of the Charitable Gaming Commission
- ☒ Summary

Summary

73

- Overall, the CGC has achieved two of its primary goals:
 - The control of fraud in the charitable gaming industry
 - Increasing the percentage of gross gaming proceeds that are used for charitable purposes from three percent to 13 percent
- Numerous problems exist with the structure, management, and governance of the Commission
 - Inadequate focus on training
 - Inadequate financial oversight
 - Poor records management
 - Inadequate board oversight
- The deficiencies observed in this review may be addressed by implementing the recommendations cited in the report and consideration of the three structural options just discussed